

beginning in 1995 or November 30, 1996, in the case of a taxable year beginning in 1996.

SEC. 1616. REPEAL OF BAD DEBT RESERVE METHOD FOR THRIFT SAVINGS ASSOCIATIONS.

(a) IN GENERAL.—Section 593 (relating to reserves for losses on loans) is amended by adding at the end the following new subsections:

"(f) TERMINATION OF RESERVE METHOD.—Subsections (a), (b), (c), and (d) shall not apply to any taxable year beginning after December 31, 1995.

"(g) 6-YEAR SPREAD OF ADJUSTMENTS.—

"(1) IN GENERAL.—In the case of any taxpayer who is required by reason of subsection (f) to change its method of computing reserves for bad debts—

"(A) such change shall be treated as a change in a method of accounting;

"(B) such change shall be treated as initiated by the taxpayer and as having been made with the consent of the Secretary; and

"(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481(a)—

"(i) shall be determined by taking into account

only applicable excess reserves, and

"(ii) as so determined, shall be taken into account

ratably over the 6-taxable year period

beginning with

the first taxable year beginning after

December 31,

1995.

"(2) APPLICABLE EXCESS RESERVES.—

"(A) IN GENERAL.—For purposes of paragraph (1), the

term "applicable excess reserves" means the excess (if any)

of—

"(i) the balance of the reserves described in sub-

section (c)(1) (other than the supplemental reserve)

as of the close of the taxpayer's last taxable year begin-

ning before January 1, 1996, over

"(ii) the lesser of—

"(I) the balance of such reserves as of the

close of the taxpayer's last taxable year beginning

before January 1, 1988, or

"(II) the balance of the reserves described in

subclause (I), reduced in the same manner as

under section 585(b)(2)(B)(ii) on the
basis of the
taxable years described in clause (i)
and this
clause.

"(B) SPECIAL RULE FOR THRIFTS WHICH BECOME
SMALL.

BANKS.—In the case of a bank (as defined in
section 581)
which was not a large bank (as defined in
section 585(c)(2))
for its first taxable year beginning after
December 31,
1995—

"(i) the balance taken into account
under subparagraph (A)(ii) shall not be less than the
amount which
would be the balance of such reserves as
of the close
of its last taxable year beginning before
such date
if the additions to such reserves for all
taxable years
had been determined under section 585(b)
(2)(A), and